AIR POUCH
PRIORITY

~~CONFIDENTIAL-SECINFO~~
(except as indicated)
(Security Classification)

DO NOT TYPE IN THIS SPACE

562

NOV 4 1953

FOREIGN SERVICE DESPATCH

FROM: AMEMBASSY, GUATEMALA — 380 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — November 3, 1953 DATE

REF :

For Dept. Use Only	ACTION REC'D	DEPT. INFO OTHER
	AIR 4 6	DC/R-2 OCI-6. EUR ... IRS-2 IRS-2

SUBJECT: Evidence of Corruption Involving Prominent Communist and Leftist Guatemalans.

DEPARTMENT OF STATE
NOV 9 1953
File Copy

RESTRICTED

In an exposé of prevalent corruption in Guatemalan Government circles, the independent newspapers Prensa Libre and El Espectador of October 31 reported a decree of the Ministry of Finance transferring three lots in Guatemala City's most fashionable residential district at a nominal price to César MONTENEGRO Paniagua, Deputy of the Communist Partido Guatemalteco del Trabajo (PGT), Major Marco Antonio FRANCO Chacón, Deputy of the Partido Acción Revolucionaria (PAR), and Mario SOSA, Chief Inspector of the National Agrarian Department and widely reputed to be a Communist. They were to have paid about seven cents per square meter for the properties, part of a state holding on "La Reforma" Avenue, where, according to Prensa Libre, land normally sells for $12-$25 a square meter.

The newspapers quoted the decree as stating that Montenegro Paniagua and Sosa would each pay $61.18 for about 856 square meters, and Major Franco $61.06 for about 855 square meters. They were obligated to start building on the lots within six months of registering title, to complete the construction within two years, and not to sell for ten years.

Prensa Libre said ironically that the "ridiculous" prices paid by these prominent leftists for choice residential sites would doubtlessly please the many persons who had not been able to obtain lots in the government-sponsored "El Gallito" popular housing development. El Imparcial's main editorial of October 31 said that the transfers of the lots were simply gifts, "which reestablish in Guatemala, in a legal manner, a practice for which the partisans of the October Revolution condemned the recently fallen dictatorship."

714.00/11-353

This Document Must Be Returned to Central Files

CONFIDENTIAL FILE

DBeddie 2/9/52

JCHill:cs
REPORTER

~~CONFIDENTIAL-SECINFO~~
(except as indicated)

X X

ACTION COPY — DEPARTMENT OF STATE

The action office must return this permanent record copy to DC/R files with an endorsement of action taken.

CONFIDENTIAL

Despite El Imparcial's restrained surprise at this evidence of corruption in the public administration, the editors of this newspaper as well as any other informed person in Guatemala knows that looting the treasury in one manner or another has involved some of the highest officials of the Arbenz Administration and that the possibilities of private enrichment in government service and politics are a most important factor in binding "revolutionary" forces together. Among instances noted in 1953 are these:

(a) Major Alfonso MARTINEZ, Chief of the National Agrarian Department and ex-Private Secretary to President Arbenz, has recently completed a large residence in a fashionable district at a reported and believable cost of $80,000. He has also acquired valuable commercial sites in the business district. His salary and allowances would not cover a fraction of these purchases.

(b) Major Francisco MORAZON, Personal Secretary and chief bodyguard to President Arbenz is building a rather large house in a fashionable district at an estimated cost of $40,000. His salary and allowances are estimated at $300-$500 per month.

(c) Colonel José Angel SANCHEZ, Minister of Defense, has recently completed a new residence at an estimated cost of $80,000 or more, is now constructing two more houses, and owns a large chicken farm near Mexico. His salary as Minister is $800 per month.

(d) Colonel Rodolfo SANCHEZ Barrillas, Army Quartermaster and brother of the Defense Minister, was involved, according to information believed reliable, in a $15,000 import duty evasion scheme in March, 1953.

(e) Colonel Rogelio CRUZ Wer, Director General of the Guardia Civil (national police) has been stated in the press to have built a $70,000 house since taking office. He is known also to have bought the only Buick Skylark in Guatemala, paying $2,000 down and signing personal notes for the remaining $4,000 which he had not paid as of early October.

(f) President Jacobo Arbenz has since 1944 acquired at least one and possibly two farms in the fertile Pacific slope area, a large home in the best residential district and a summer house near Ixtapa on the Pacific Coast. Although he could carry these on his official income of

$100,000 a year, it is rumored that he acquired them through influence and it has been observed that government personnel have done maintenance and improvement work on his private property.

(g) The former National Farms Administration, run by Mariano AREVALO, brother of the ex-President, was found to be $1 million or more short in its accounts when it was liquidated in January, 1953. A final report by the Liquidation Commission was not made public.

(h) Jorge TORIELLO, a member of the governing Junta with Arbenz after the 1944 revolution and brother of Guillermo TORIELLO, Ambassador to the United States, is reported by a number of commercial sources to be obtaining the major share of Government contracts for road machinery. One source said he was getting 60% of the orders by value at the direct order of the President, and it is known that he obtained the agency for a large U.S. machinery concern on the basis of inside information that the Government would order from that supplier.

William L. Krieg
Chargé d'Affaires a.i.